



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 2/1/2000

GAIN Report #JA0009

Japan

Livestock

Livestock Semi-Annual Report

2000

Prepared by: **Casey E. Bean**
U.S. Embassy

Drafted by: Kakuyu Obara

Report Highlights:

Japan's imports of beef and pork rose, by volume, in 1999. U.S. beef captured a leading 49 percent import market share as Japan's overall beef imports climbed 1 percent. Selective meat purchases by Japanese consumers, who are increasingly value-conscious, drove demand for less-expensive beef parts that benefitted U.S. exporters. Beef market prospects in 2000 will hinge on the continued recovery of Japan's economy. On the pork side, Japan's pork imports spiked 18 percent due to strong demand for frozen pork and lower domestic supplies. Imports of U.S. pork in 1999 are forecast to rise 4% to 166,000 MT, but Danish import volume could reach 169,000 MT. Competition in the chilled pork sector will intensify in 2000.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Tokyo[JA1], JA

TABLE OF CONTENTS

Japanese Beef Market Situation and Outlook	1
During 1999 U.S. Beef Captures Leading 49% Import Market Share as Overall Imports Climb 1%; Market Prospects for 2000 Hinge on the Continued Recovery of Japan's Economy	1
Tight Household Spending Drives Imports of Inexpensive Value Parts Both in the Retail and HRI/HMR Sectors in 1999	1
Health and Food Safety Remain Major Concerns in Japan	2
Japanese Pork Market Situation and Outlook	2
During 1999 Japan's Imports of Pork Spiked 18% Due to Frozen Pork Demand, Better than Anticipated Chilled Pork Demand through the Third Quarter, and Lower Domestic Supply; Competition in the Chilled Pork Sector to Intensify in 2000	2
Better than Anticipated Japanese Household Demand for Table Pork in 1999 Favors U.S. Chilled Pork, But Competition with Other Chilled Suppliers to Japan Intensified	3
Major Frozen Pork Inventory Adjustment During 1999 Gives Substantial Boost to Danish Frozen Pork	3
Japanese Raw Hide and Skin Situation and Outlook	4
During 1999 Japan's Imports of U.S. Hides Remained Flat, and Market Prospects for 2000 will Hinge on a Stronger Economic Recovery	4
Japanese Live Cattle PS&D table	5
Japanese Live Cattle Trade Matrix	6
Japanese Beef PS&D Table	7
Japanese Beef Import Trade Matrix	8
Japanese Live Swine PS&D Table	9
Japanese Live Swine Trade Matrix	10
Japanese Pork PS&D Table	11
Japanese Pork Import Trade Matrix	12
Japanese Raw Hide and Skin PS&D Table	13
Japanese Raw Hide and Skin Trade Matrix	14

Japanese Beef Market Situation and Outlook

During 1999 U.S. Beef Captures Leading 49% Import Market Share as Overall Imports Climb 1%; Market Prospects for 2000 Hinge on the Continued Recovery of Japan's Economy

Based on January - November trade data, Japan's beef imports in 1999 are forecast at 676,000 MT [PW-Product Weight Basis (Custom Clearance Basis)], up one percent from the previous year. Adjustments to the previous PSD include changing domestic beef production modestly upward, revising total domestic beef consumption slightly downward, and the moving year ending inventory upward. Trade figure changes include a downward adjustment to the annual forecast for each beef supplying country in the trade matrix.

During 1999, value-conscious spending by Japanese consumers cooled purchases of high-value beef, which had been on a recovery track since the E.coli O-157 issue impacted the market in 1996. Consumers increased purchases of less-expensive cuts; short-fed loins, brisket and short plate performed well in 1999 across different sectors of Japan's beef market (i.e., the retail and HRI/HMR sectors). In 1999, imported beef is estimated to make up 59 percent of Japan total beef distribution (e.g., total imports divided by total distribution). Strong sales of less expensive parts for table beef in 1999, such as short plate, brisket, and chuck used for sliced barbecue packs, resulted in increased imports of inexpensive chilled parts from the United States, Australia and Canada.

The market outlook for 2000 is continued stagnant beef demand and modest declines in imports partly affected by rising year-beginning inventories. A modest decline in Japan's total beef imports is projected in 2000 at around 670,000 MT (PW). The relative shares between U.S. and Australian imported beef in 2000 will likely remain the same as last year at 48 percent and 46 percent. Japan's overall beef consumption will rebound when consumers regain confidence about the country's economic recovery.

Tight Household Spending Drives Imports of Inexpensive Value Parts Both in the Retail and HRI/HMR Sectors in 1999

The slow down in retail beef consumption in 1999 is the direct result of Japan's stagnant economy, and overall retail beef consumption in 1999 was lethargic throughout the year. During January - November 1999, household purchases of beef fell one percent to 2,580 grams/person compared to the same period of the previous year.

The situation in Japan's HRI/HMR sector in 1999 is analogous to the retail sector where sales have also been affected by thrifty spending when dining outside the home. The slower sales in the HRI/HMR sector is reflected by the modest decline in Japan's frozen beef imports. During January - November, Japan's frozen beef imports were down 3 percent over the same period last year at 314,857 MT. Breakdowns by suppliers were: U.S. [180,571 MT, down 1%], Australia [109,243 MT, down 9%], Canada [12,700 MT, up 22%], and N.Z. [10,697 MT, down 13%]. These figures are reported in the press as "preliminary".

The level of imported loins in 1999 was mixed. During January - November, imports of Australian loins were 33,082 MT, up 10%, and U.S. loins were 24,293 MT, down 12%. In addition to weak demand for high value cuts in Japan's retail sector, high loin prices in the United States, due to the strong economy, are attributed for the U.S. loin decline in 1999. Japan's chilled beef imports rose 6 percent over the previous year to 302,000 MT with the following breakdowns by major suppliers: U.S. [120,903 MT, up 4%], Australia [175,116 MT, up 6%],

N.Z.[3,789 MT, down 32%], and Canada [3,074MT, up 43%].

Strong performing HRI/HMR sectors in 1999 were Korean style barbecue chains, fast food beef bowl chains and take-out meal chains, all heavy users of U.S. and Australian frozen short plate. According to trade sources, Canada also effectively captured this demand segment in 1999 by supplying frozen short plate to major beef bowl chains. Demand for loins from the HRI/HMR sector has reportedly remained weak, except a short seasonal surge for sliced loins for the year end season dishes such as shabu-shabu.

The slow down in household purchases of beef in Japan impacted on medium grade domestic beef. The wholesale carcass prices have been down throughout 1999 as follows: Wagyu Steer A-3 [1,541 yen per kilo, down 5%], Holstein Steer B-3 [718 yen per kilo, down 16%], and F1 Cross Breed Steer B-3 [1,203 yen per kilo, down 8%]. The seasonal hike in demand for domestic beef at the end of the year reportedly lasted only a short while in 1999.

Health and Food Safety Remain Major Concerns in Japan

During 1999 the Japanese public's interest and perceptions on food safety issues broadened due to increased media attention on issues such as biotechnology, environmental hormones, or more accurately, endocrine-disrupting chemicals, and food-born illnesses.

Responding to widespread consumer concerns on the environment and food safety, Japanese Government (GOJ) ministries undertook testing for endocrine disrupting chemicals in 1999. The Environmental Agency and the Ministry of Health and Welfare (MHW) conducted comprehensive PCB and dioxin testing in the environment, water and food. MHW also set allowable standards consistent with international standards.

The Ministry of Agriculture, Forestry, and Fisheries (MAFF), on its own initiative, released its own PCB and dioxin testing results last year on livestock products. This year the ministry will continue a similar survey on livestock products with plans to extend the coverage to various farm commodities.

During 2000 FAS/Japan will remain vigilant in monitoring these developments, exchanging information on food safety issues, and explaining the U.S. food safety system with relevant GOJ ministries.

Japanese Pork Market Situation and Outlook

During 1999 Japan's Imports of Pork Spiked 18% Due to Frozen Pork Demand, Better than Anticipated Chilled Pork Demand through the Third Quarter, and Lower Domestic Supply; Competition in the Chilled Pork Sector to Intensify in 2000

Based on January - November data, Japan's pork imports in 1999 are forecast at 595,000 MT (PW), up 18 percent from the previous year. This volume is the highest on record for normal, recent years with the exception of 1996 when Japan's pork import volume reached an abnormally high level due to pork safeguard speculation.

Major factors attributed to the import rise in 1999 were: 1) frozen stock inventory adjustments, 2) better than anticipated household consumption for table pork through the third quarter, and 3) reduced domestic pork supply. This situation benefitted pork suppliers to Japan as highlighted in the sections below. In 1999, imported pork is estimated to account for 38 percent of Japan's total pork distribution.

Japan's overall demand for pork is expected to slow in 2000. Softened demand for household table pork consumption, coupled with lethargic demand for processed products and stable HRI/HMR demand, are anticipated in 2000. Hence, Japan's total pork imports in 2000 are projected to drop moderately from last year to 575,000 MT.

While U.S. pork is expected to sustain last year's share of Japan's pork imports, competition with Canada and Korea in supplying chilled pork to retail and HRI/HMR sectors will likely intensify. Denmark's share is expected fall a couple of points in 2000 as frozen inventories stabilized in 1999. The Japanese meat trade and industry consider the normal frozen stock level somewhere between 63,000 - 70,000 MT on PW basis (90,000 - 100,000 MT on carcass weight equivalent).

Japan's domestic pork production for 2000 is forecast to be slightly below the 1999 level. Depressed domestic carcass prices prevailing since late last year are a disincentive for Japan's high-cost producers. MAFF has been implementing a modest buyout measure (initially 13,000 head) since December 1999 to shore-up depressed wholesale carcass prices above the official intervention level (370 yen per kilo of carcass). MAFF just announced in January 2000 it will expand the scale of the buyout operation to 56,000 head.

Better than Anticipated Japanese Household Demand for Table Pork in 1999 Favors U.S. Chilled Pork, But Competition with Other Chilled Suppliers to Japan Intensified

During January - November 1999, Japan's chilled pork imports were 156,110 MT, up 19 percent over the previous year due to solid retail demand for table pork by consumers during the 1st 8 months of the year. Japanese household table pork purchases during this period equaled 3,233 grams/person, up 4 percent compared to the same period last year. Also, increased use of imported chilled pork in the HRI sector by pork cutlet chains and restaurants, who featured differentiated products and tastes, contributed to the above growth. The breakdowns for January - November chilled pork imports, by chilled pork suppliers, were: U.S. [102,485 MT, up 10%], Canada [25,398 MT, up 39%], Korea [19,964 MT, up 21%], and Mexico [5,956 MT, 268%]. These figures are reported as "preliminary" in the press.

After September 1999, retail table pork consumption weakened and monthly household purchases declined 1 - 2 percent. Lower demand, coupled with ample supplies of imported chilled loins in the market, resulted in depressed domestic wholesale carcass prices of only 350 yen per kilo, on average. In response, MAFF has implemented a pork buyout measure since December 1999 as described in summary section.

The competition for Japan's chilled pork market is intensifying with the Japanese meat trade and end users scrutinizing what and where to source, depending on quality characteristics and cutting specifications.

Major Frozen Pork Inventory Adjustment During 1999 Gives Substantial Boost to Danish Frozen Pork

Moves by domestic ham and sausage manufacturers to replenish frozen pork inventories in 1999 resulted in large quantities of imported frozen pork. Post estimates the year ending frozen inventory to be modestly below the year beginning level at around 100,000 MT (Carcass Equivalent).

During January - November 1999, Japan's frozen pork imports soared to 393,393 MT, up 19 percent compared to the same period of the previous year. Denmark benefitted from the situation by supplying a large volume of frozen raw material cuts (belly, picnic, loins) for processing use. The breakdowns for this period for frozen

pork imports by major suppliers were: Denmark [157,697 MT, up 39%], U.S. [50,327 MT, down 9%], Canada [57,277 MT, up 52%], Korea [53,818 MT, down 13%], and Mexico [28,227 MT, 7%].

For the 1999 year-end (chilled and frozen combined), Danish pork imports may exceed U.S. pork by a couple of thousand metric tons, forecast at 169,000 MT, resulting in Denmark's volume share in Japan's total pork import in 1999 equaling the United States at 28 percent.

According to an industry source, despite stagnant individual spending and shrinking corporate purchases, sales of ham and sausage products were unexpectedly solid last summer, particularly for gift items. The good result may have also given an incentive for Japanese pork processors to procure more frozen raw material pork from abroad in 1999. Despite the industry's high expectation, market sources report lackluster winter gift season sales and an oversupply of products in the market. During the January to November period, raw material frozen pork used for processing was up 4 percent (or 360,918 MT) from the previous year.

Japanese Raw Hide and Skin Situation and Outlook

During 1999 Japan's Imports of U.S. Hides Remained Flat, and Market Prospects for 2000 will Hinge on a Stronger Economic Recovery

Based on January to November data, post revises downward the import forecast for Japan's raw hide and skin, and now the import level in 1999 will likely remain at last year's level of 95,000 MT. Imports of U.S. products will likely stay the same as last year at around 70,000 MT accounting for a 74 percent share of Japan's total raw hide and skin imports.

Japan's slow economic recovery has impacted leather products manufacturers, and this situation will likely stay the same in 2000. One trade source reports that tanner demand for U.S. raw hide is weak because only a modest stock replenishment was necessary in 1999. Also, offer price hikes of U.S. raw hide suppliers due to demand hike in some other Asian countries dampened tanner's willingness to take advantage of favorable exchange rates against the U.S. dollar. Monthly Texas heavy steers raw hide price in the market averaged 7,900 yen per piece in mid 1999 to 7,400 yen by the year end.

Japanese Live Cattle PS&D table

PSD Table						
Country	Japan					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Total Cattle Beg. Stks	4708	4708	4656	4656	4600	4600
Dairy Cows Beg. Stocks	1022	1022	1008	1008	1000	1000
Beef Cows Beg. Stocks	649	649	649	644	640	640
Production (Calf Crop)	1513	1513	1505	1505	1490	1490
Intra EC Imports	0	0	0	0	0	0
Other Imports	19	19	18	13	18	13
TOTAL Imports	19	19	18	13	18	13
TOTAL SUPPLY	6240	6240	6179	6174	6108	6103
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Cow Slaughter	623	623	620	622	605	610
Calf Slaughter	10	10	10	10	10	10
Other Slaughter	689	689	685	698	670	680
Total Slaughter	1322	1322	1315	1330	1285	1300
Loss	262	262	264	244	263	238
Ending Inventories	4656	4656	4600	4600	4560	4565
TOTAL DISTRIBUTION	6240	6240	6179	6174	6108	6103
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Japanese Live Cattle Trade Matrix

Export Trade Matrix				
Country	Japan		Units:	Heads
Commodity	Animal Numbers, Cattle		Partial Begin	
			Partial End	
Exports for:	1998	1999	1999	2000
	Full	Full	Partial	Partial
U.S.	209	100		
Others				
Australia	17192	12200		
New Zealand	785	400		
Canada	127	100		
Total for Others	18104	12700	0	0
Others not Listed	399	200		
Grand Total	18712	13000	0	0

Japanese Beef PS&D Table

PSD Table						
Country	Japan					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	1322	1322	1315	1330	1285	1300
Beginning Stocks	131	131	125	125	132	155
Production	530	530	525	540	515	530
Intra EC Imports	0	0	0	0	0	0
Other Imports	951	951	972	965	985	957
TOTAL Imports	951	951	972	965	985	957
TOTAL SUPPLY	1612	1612	1622	1630	1632	1642
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	1487	1487	1490	1475	1500	1480
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	1487	1487	1490	1475	1500	1480
Ending Stocks	125	125	132	155	132	162
TOTAL DISTRIBUTION	1612	1612	1622	1630	1632	1642
Calendar Yr. Imp. from U.S.	0	457	0	461	0	457
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Japanese Beef Import Trade Matrix

Export Trade Matrix				
Country	Japan		Units:	1,000 MT
Commodity	Meat, Beef and Veal		Partial Begin	
			Partial End	
Exports for:	1998	1999	1999	2000
	Full	Full	Partial	Partial
U.S.	320	323		
Others				
Australia	312	310		
New Zealand	19	18		
Canada	14	20		
Total for Others	345	348	0	0
Others not Listed	1	5		
Grand Total	666	676	0	0

Japanese Live Swine PS&D Table

PSD Table						
Country	Japan					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
TOTAL Beginning Stocks	9904	9904	9873	9873	9880	9860
Sow Beginning Stocks	939	939	931	931	930	925
Production (Pig Crop)	17850	17850	17800	17800	17750	17600
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	1	1	1	1
TOTAL Imports	1	1	1	1	1	1
TOTAL SUPPLY	27755	27755	27674	27674	27631	27461
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	17067	17067	17030	16905	16980	16800
Total Slaughter	17067	17067	17030	16905	16980	16800
Loss	815	815	764	859	761	761
Ending Inventories	9873	9873	9880	9860	9890	9890
TOTAL DISTRIBUTION	27755	27755	27674	27624	27631	27451
Calendar Yr. Imp. from U.S.	0	251	0	200	0	200
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Japanese Live Swine Trade Matrix

Export Trade Matrix				
Country	Japan		Units:	Heads
Commodity	Animal Numbers, Swine		Partial Begin	
			Partial End	
Exports for:	1998	1999	1999	2000
	Full	Full	Partial	Partial
U.S.	251	200		
Others				
United Kingdom	939	670		
Canada	0	0		
Netherlands	0	0		
Total for Others	939	670	0	0
Others not Listed	45	30		
Grand Total	1235	900	0	0

Japanese Pork PS&D Table

PSD Table						
Country	Japan					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	17067	17067	17030	16905	16980	16800
Beginning Stocks	190	190	106	106	108	100
Production	1285	1285	1283	1280	1280	1275
Intra EC Imports	0	0	0	0	0	0
Other Imports	721	721	814	850	814	821
TOTAL Imports	721	721	814	850	814	821
TOTAL SUPPLY	2196	2196	2203	2236	2202	2196
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	2090	2090	2095	2136	2095	2100
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2090	2090	2095	2136	2095	2100
Ending Stocks	106	106	108	100	107	96
TOTAL DISTRIBUTION	2196	2196	2203	2236	2202	2196
Calendar Yr. Imp. from U.S.	0	229	0	237	0	236
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Japanese Pork Import Trade Matrix

Export Trade Matrix				
Country	Japan		Units:	1,000MT
Commodity	Meat, Swine		Partial Begin	
			Partial End	
Exports for:	1998	1999	1999	2000
	Full	Full	Partial	Partial
U.S.	160	166		
Others				
Denmark	125	169		
Canada	62	90		
Korea	90	80		
Mexico	31	48		
Total for Others	308	387	0	0
Others not Listed	37	42		
Grand Total	505	595	0	0

Japanese Raw Hide and Skin PS&D Table

PSD Table						
Country	Japan					
Commodity	Hides & Skins, Bovine				(1000 MT)	(1000 PCS)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	33	33	27	28	29	27
Production In MT	33	34	32	34	32	33
Production In Pieces	1319	1319	1312	1327	1282	1297
Intra EC Imports	0	0	0	0	0	0
Other Imports	96	96	105	95	105	95
TOTAL Imports	96	96	105	95	105	95
TOTAL SUPPLY	162	163	164	157	166	155
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	135	135	135	130	137	130
Ending Stocks	27	28	29	27	29	25
TOTAL DISTRIBUTION	162	163	164	157	166	155
Calendar Yr. Imp. from U.S.	0	69	0	70	0	70
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Japanese Raw Hide and Skin Trade Matrix

Import Trade Matrix			
Country	Japan		
Commodity	Hides & Skins, Bovine		
Time period	Jan. - Dec.	Units:	1,000 MT
Imports for:	1998		1999
U.S.	69	U.S.	70
Others		Others	
Australia	11	Australia	11
New Zealand	2	New Zealand	3
Netherlands	5	Netherlands	6
Canada	7	Canada	3
Total for Others	25		23
Others not Listed	2		2
Grand Total	96		95